

Greg Woods' Keynote
Direct Loan Conference

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Chief Operating Officers are always hungry to know how the business is going. I'm certainly no exception — especially when it comes to the Direct Loan business. After all, the Direct Loan program is now the nation's largest originator of student loans — we make a third of all new loans — and we have a portfolio second only to Sallie Mae's. So, it's a very big business. And like any business person who's any good, I relish a chance to get together with my partners and see how things are really going.

What? Did I hear a little scoff — sort of a pppffft! — in the back of the room when I called you my partners? Yes, I know, there have been times when the government must have seemed more like a tormentor than a partner. But we are trying to change all that. Trying to be a good partner.

And I know we can succeed because we have a common goal. Sometimes when your just getting started, its hard to see the common goal.

It's kind of like the veterinarian and the taxidermist who had to economize by sharing a small building. There was only room out front for one sign, and they tried for a long time to think of what it should say — something that described both services. Finally, they hit on this: "Either way you get your dog back."

We have an even better partnership, because we have a much better common goal — one that's very important one for this country: We help put America through school.

What a great mission. What a great thing to be able to say. To your friends. People you meet. To your kids. "Mom, Dad, Grandpa, what do you do at work?" We put America through school. It's gotta be one of the best jobs in the country.

So, I'm really pleased to be here with my partners — engaged in some really big business — with that great goal. And, like I said, I'm eager to find out from you how it's going.

Because, like most COO's, I find that how it going depends on who I ask.

For example, the University of North Carolina at Wilmington announced this month that they are switching from FFEL to DL. Their aid director, Mark Williams, says "the Direct Loan Program offers substantial benefits to students including faster delivery of funds, a simpler process, more flexible repayment options, and better responsiveness to student needs.... In addition, there will be real savings [for the university]." They will save over \$32,000 this year by replacing FFEL's paper with DL's electronics.

So, I get to thinking things are going pretty well. Then I read the latest customer survey done by Macro International. They say 91% of students surveyed rated their direct borrowing experience as "easy," about the same rating as FFEL. Of course, that means it was "hard" for 1 out of 10 — so there is still room for us to improve. But a 91% positive rating is not bad.

Then Macro says that *school* satisfaction with Direct Loans is only 71% — versus 84% for FFEL. The picture behind those overall ratings is complicated, and the data are almost a year old, but still ... that's really a lot of room for improvement.

Macro listed three areas with especially low ratings. But the report doesn't tell me how important these problems are. And it doesn't tell me what I might do to fix them for you. I need your help on that. Think about them, talk about them in the workshops over the next two days, and we can discuss them at the Town Meeting on Tuesday. Here they are:

- First, borrowers don't really understand what their debt means, and how it will affect their futures.
- Second, schools think customer service at the Loan Origination Center could be improved.
- Third, the reconciliation process. We've introduced the DL School Account Statement this year and removed the data matching requirement. Is reconciliation still a big problem? Is there something more important for us to work on?

Think about those and other areas where you'd give the Direct Loan Program lackluster ratings. At the Town Meeting, we can talk about what to work on first.

By the way, do you know how I feel about lackluster ratings? Not what I *think* — not my analysis of them. But how I *feel*? I love ‘em. They excite me — make me lose sleep — give me a reason to jump out of bed and rush to work in the morning. I just love ‘em.

Of course, I wouldn’t love ‘em forever. Not if they were still lackluster next year. I only love ‘em because they give a COO like me something to *do*. So, here’s what I *did*: I called the DL staff into my office and said to them, “What are we going to *do*?”

Luckily, they had some ideas. One of them you probably already hear about. We fixed item 8 on the MPN so a student doesn’t have to guess at an arbitrary limit on total borrowing. The new item 8 just says you have to tell students how much they are eligible to borrow, and that students may borrow less. Of course, if you already printed your MPN forms, don’t throw them away. We will take either version this year.

Now, as some of you might know, I made the same change in the MPN used by FFEL. True, I am trying to make DL more competitive. But I will do all I can to allow FFEL lenders to be more competitive too. Then schools can choose the best, and either way, the students will benefit.

The second thing my guys thought you DL schools would like is good, on-line, Entrance and Exit Counseling. I’m pleased to announce to you that the beta version of the Entrance Counseling site is ready for you to critique and it will go on-line on April 5th. And also we have a demo version of Exit Counseling for you to see here at the conference.

I want to thank the schools that have been helping us decide what these sites should look like:

- > Iowa State University
- > Colorado State University
- > University of California at Berkeley
- > Borough of Manhattan Community College/CUNY
- > Purdue University Calumet
- > City University of New York
- > Cal State University at San Marcos
- > Central Michigan University

I'd like you all to spend some time on these sites, and give us suggestions for improving them. Of course, we're testing them on students, too. And we will let you keep on improving them once they are on-line. But we want to get as many bugs out as we can right now. I went through the Entrance Counseling myself, and I know it still needs work because I failed the quiz at the end.

There's gotta be something wrong with that result. Some sort of trick question. Like the trick question Sister Francis Joseph asked me back in the third grade. It just wasn't fair. Not fair, I tell you! ... But I'm over that now.

My staff had another idea that they thought would improve your satisfaction with the Direct Loan program. I liked it too, so I am again pleased to tell you that, to make DL more competitive with FFEL, we want to offer an interest discount for anyone who agrees to repay their loans through automatic debits. We are getting our systems ready so that, once it is through negotiated rulemaking, we can implement it. With luck, this fall.

Since my staff came up with three ideas, I figured I should contribute at least one. Before I tell you what it is, let me tell you why I thought of it.

Most of my adult life I've been a businessman, in the information technology sector. The businesses I ran always grew — always beat our competition — because I knew a simple secret. If you want to know what your customers want, you have to ask them. If you don't ask them, you'll get it wrong.

The principle holds in government as well as business. Let me give you an example. A few years ago, the Internal Revenue Service assumed that what their customers wanted most was to receive their tax booklet in the mail as soon after Christmas as possible. I don't know about you, but I wasn't in any hurry to get that booklet. In fact, it used to make me mad. I'd toss it on the corner of my desk and glare at it occasionally while I waited for the rest of my tax information to come so I could file my return.

When the IRS surveyed their customers — asked what was important to them — they got a big surprise. The number one response — the thing people wanted most — was minimal contact with the IRS. I see that is no surprise to you. Knowing that their customers want minimal contact has

driven lots of changes at IRS, like electronic filing, filing over the touch-tone phone, and their goal of answering all your questions in one phone call. They made lots of improvements, but first they had to ask what their customers wanted.

Even the best in business get it wrong when they don't ask the customers. Disney is unquestionably one of the very best at delivering customer service. They really know their customers well. They know, for example, that the average person will carry a candy wrapper 23 feet before throwing it on the ground. So, on Main Street in Disney World, you will never find yourself more than 23 feet from a trash can.

When Disney tried to figure things out for themselves, they got it wrong. For example, they decided it would be nice to have Mickey and Goofy and the other characters spend some of their time walking through the Epcot Center, as well as the Magic Kingdom. But immediately, the complaints started. Parents wanted all the characters in one predictable place, so they could take the kids there, see them all, and get on with the day.

Now there are two lessons in there that we can apply to the DL program.

First, the customers want to know where to find Goofy. So, any time any of you want to get a hold of me, my e-mail address is Greg_Woods@ed.gov.

The second lesson, of course, is let the customers design customer service improvements. With that lesson in mind, here is my idea about how we are going to improve the schools' satisfaction with the DL program.

I am forming a Direct Loan Strategy Group, comprising people from your ranks. This Strategy Group will draw our roadmap future and set our priorities for improving the program. We need to get started right away, because I want the Strategy Group's recommendations to be part of our Customer Service Task Force Report on July 1st, which will be the basis of the performance plan I'll give to Congress in September. I've asked Marian Smithson, who chairs the National Direct Student Loan Coalition, to organize the Strategy Group and work with Stephen Blair, who is heading up my Customer Service Task Force.

I'll be around for most of the conference — for the panel discussion tomorrow, and the Town Meeting on Thursday.

I'm looking forward to a fabulously successful conference — to meeting as many of you as I can — and most of all, to the exciting times ahead of us.

Thank you so much for coming.